

Message Text

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52

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 RSR-01 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 INRE-00 /086 W
----- 093519

P R 031309 Z APR 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 7919

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

USINT CAIRO

UNCLAS TEL AVIV 2600

E. O. 11652: N/ A

TAGS: EFIN, IS

SUBJECT: REDUCTION IN INCOME TAX RATES

1. SUMMARY. EFFECTIVE APRIL 1, GOI REDUCED INCOME TAX RATES FOR SECOND STRAIGHT YEAR. CUTS ESTIMATED AT ABOUT 15 PERCENT AND WERE LARGER THAN THOSE EFFECTED ON APRIL 1, 1972. THRESHOLD OF COMPLETE EXEMPTION FROM INCOME TAX WAS RAISED. SIZE OF PERSONAL EXEMPTIONS FROM TAX WERE ALSO INCREASED. END SUMMARY.

2. ON APRIL 1 (BEGINNING OF NEW FISCAL YEAR), CUTS ESTIMATED AT ABOUT 15 PERCENT WERE EFFECTED ON INCOME TAX RATES PLUS COMPULSORY DEFENSE LOAN. THESE CUTS WILL ADD ESTIMATED 400 MILLION ISRAEL POUNDS (95 MILLION DOLLARS) TO DISPOSABLE INCOME. ON MONTHLY INCOME OF 600 ISRAEL POUNDS (143 DOLLARS) CUTS EFFECTED APRIL 1, 1972 AND 1973 TOTALED 49 POUNDS; ON MONTHLY INCOME OF 1,200 POUNDS, CUTS TOTALED 70 POUNDS. MARGINAL RATE AT 1,200 POUNDS NOW 32 PERCENT.

3. PERSONAL EXEMPTIONS - WHICH ARE MORE EXTENSIVE THAN THOSE ALLOWED UNDER US TAX LAW - WERE RAISED 30-50 PERCENT, AND IN SOME CASES DOUBLED. FOR EXAMPLE, WORKING WIFE WITH CHILDREN HAD HER EXEMPTION RAISED FROM 1,050 POUNDS (250 DOLLARS) TO 1,440 POUNDS (343 DOLLARS).

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4. THRESHOLD OF COMPLETE EXEMPTION FROM TAX WAS RAISED ABOUT 40 PERCENT. FOR EXAMPLE, MARRIED MAN WITH TWO CHILDREN HAVING MONTHLY INCOME OF UP TO 631 POUNDS (150 DOLLARS) IS NOW COMPLETELY EXEMPT FROM INCOME TAX; HIS EXEMPTION THRESHOLD PRIOR TO APRIL 1 WAS 438 POUNDS (104 DOLLARS).

5. FORECAST OF REVENUE FROM PERSONAL INCOME TAXES DURING THIS FISCAL YEAR IS ABOUT 2,800 MILLION POUNDS (667 MILLION DOLLARS). THIS IS AN INCREASE FROM FISCAL YEAR 1972/73, DESPITE 400 MILLION POUNDS IN TAX REVENUE FORGONE AS RESULT OF CUTS. ZURHELLEN

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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